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SUBJECT: A/S HILL DISCUSSES U.S.-CHINA RELATIONS, SIX-PARTY TALKS WITH LIAONING PARTY SECRETARY LI KEQIANG

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1. 4 (b/d).

¶1. (C) Summary: Liaoning Province Party Secretary Li Keqiang, a front runner for elevation to the Politburo this fall and potential successor to PRC leader Hu Jintao in 2012, told EAP Assistant Secretary Christopher R. Hill on August 16 that he has personally followed the Six-Party Talks because of their importance to the stable development of Liaoning Province, which borders the DPRK. Li outlined Liaoning's coastal development measures, citing research by U.S. economist Jeffrey Sachs. Li called the August 15 anniversary of Japan's WWII surrender an "important date" because of U.S.-China cooperation in fighting fascism. A/S Hill conveyed to Li President Bush's views on the vital importance of the U.S.-China bilateral relationship. End Summary.

Li Has "Personally Followed" the Six-Party Talks

¶2. (C) The meeting, which the Chinese arranged quietly at the last moment to avoid offending any of the other Six-Party heads of delegation, was relaxed and upbeat. Li Keqiang, widely viewed as a front-runner for elevation to the Politburo this fall and possible successor to President and Party General Secretary Hu Jintao in 2012, told A/S Hill that he has personally followed the Six-Party Talks because of their importance to the stable development of Liaoning, which borders the DPRK. "It's a real issue for us," Li said. Li had met with VFM Wu Dawei the previous night and reported Wu's comment that he and A/S Hill are "old friends" and could solve the problems ahead. A/S Hill noted the importance of bringing the DPRK into the international community. Li voiced hope that the North Koreans will pursue a Chinese-style "reform and opening" economic policy but said the DPRK Government must "make its own choices."

Citing Jeffrey Sachs, Li Talks Coastal Development

¶3. (C) In describing his "Five Points, One Line" plan to develop five of Liaoning's coastal cities and enhance transportation links between them, Li cited a study by U.S. economist Jeffrey Sachs indicating that 60 percent of the world's economy is concentrated within 100 kilometers of the coastline. One of the "points" is the new seaport of Donggang, near the Liaoning-DPRK border city of Dandong, which Li described as the DPRK's largest port because of the great volume of goods that pass through en route to and from North Korea. Li also stressed the importance of quickening the pace of economic opening in Liaoning Province. He touted the "corporatization" of over 80 percent of Liaoning's state-owned enterprises (SOEs) and predicted that all the province's SOEs would be successfully "corporatized" by year-end. (Note: This expression likely refers to reorganizing the firms as joint stock companies, a necessary precondition for a stock market listing.) Li noted, however, that only a small portion are ready for stock-market listing,

which is only one path to "corporatization" here.

U.S.-China Relations

¶4. (C) A/S Hill related that in recent meetings, President Bush has made it clear to him that no bilateral relationship is more important to the United States than that with China. In this context, calling the Six-Party Talks a good example of U.S.-China cooperation, A/S Hill underlined that success in the negotiations could lead to more cooperation in other areas. In response to A/S Hill's description of his visit to historical Russo-Japanese war sites in Dalian the previous day, Li referred to the August 15 anniversary of Japan's WWII defeat as an "important date" in U.S.-China relations because of the two nations' cooperation in fighting fascism. He was quick to add that the vast majority of the Japanese people hope for peace. Li said he particularly appreciated A/S Hill's prediction that if we continue to work together, in the future the United States and China will be two nations joined by the Pacific, not divided by it.

¶5. (U) The delegation cleared this message.

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